

# **LEGISLATION (LIKE GRAVITY, IT'S THE LAW)**

*2000 California Tax Policy Conference*  
*San Diego, California*  
**November 8-10, 2000**

**Presented by:**

**Brian Putler – Assistant Director, Legislative Services  
California Franchise Tax Board**

**Lenny Goldberg – Executive Director  
California Tax Reform Association, Sacramento, CA**

**Wm. Gregory Turner – General Counsel & Legislative Director  
California Taxpayers' Association, Sacramento CA**

1999/2000 LEGISLATIVE SESSION  
SUMMARIES OF ENACTED LEGISLATION  
ADMINISTERED BY THE FRANCHISE TAX BOARD

The Franchise Tax Board's (FTB) complete legislative analyses for each of the following bills can be found on the "Law and Legislation" page at the FTB website <http://www.ftb.ca.gov>.

**\*NEWLY ENACTED LEGISLATION\***

<b>BUDGET TRAILER TAX LEGISLATION</b>	
AB 480 Ducheny Chapt 00-114  R&TC Section 17052.6	<p><i>Household And Dependent Care Services Necessary For Gainful Employment Refundable Credit</i></p> <p>Allows taxpayers with an adjusted gross income of \$100,000 or less a refundable credit equal to a percentage of the federal credit allowed for certain household and dependent care services necessary for gainful employment.</p>
AB 511 Alquist Chapt 00-107  R&TC Sections 17052.12, 17053.80, 17151, 17276, 23609 and 24416	<p><i>VLF/Research Credit/Increase Qualified Expense To 15% &amp; Alternative Incremental Expense To 90% of Federal/Long-Term Care Caregiver Credit/Exclusion/ Education Assistance/Graduate Courses/NOL Deduction Carryover/65%/ Allowed For 10 Years</i></p> <p>This act:</p> <ul style="list-style-type: none"> <li>• Modifies the vehicle licensing fee (VLF) rebate enacted by AB 858 (Ch. 00-106), and makes an appropriation of \$2 billion for the VLF rebate.</li> <li>• Modifies the research credit both by increasing the state credit for "qualified research expenses" from 12% to 15% and by increasing the state alternative incremental research expense credit to 90% of the prior federal amount, instead of the existing 80%;</li> <li>• Allows taxpayers who are eligible caregivers a \$500 non-refundable credit for each applicable individual to whom they provide long-term care. An applicable individual may be the taxpayer, spouse of the taxpayer, or the qualifying (under this act) dependent of a taxpayer certified to have long-term care needs;</li> <li>• Allows an employee to exclude from gross income the amount that an employer pays or incurs, up to \$5,250, for the employee to take graduate level courses in pursuit of a law, business, medical, or other advanced academic or professional degree beginning on or after January 1, 2000;</li> <li>• Incrementally increases the general net operating loss (NOL) deduction carryforward amount under both the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&amp;CTL) from 50% to 65% and increases the NOL carryforward period from five years to ten years; and</li> <li>• Provides a rural investment sales tax exemption.</li> </ul>

AB 2416 Machado Chapt 00-615	<p><i>HRA Appropriation</i></p> <p>This act appropriates an additional \$60 million for the Homeowners and Renters Assistance (HRA) program to provide funds to cover the one-time increase of 150% in HRA payments for low-income seniors and disabled individuals for the 2000 calendar year. (SB 1664 (Stats. 2000, Chapter 60) previously enacted this increase.)</p>
AB 2879 Jackson Chapt 00-75  R&TC Sections 17039 and 17052.2	<p><i>Teacher Retention Tax Credit</i></p> <p>Provides a credit for credentialed teachers based on years of service as a credentialed teacher. The credit is capped at 50% of the income attributable to teaching. The credit amount ranges from \$250 for teachers with four years of service to \$1,500 for 20 years of service.</p>
SB 1647 O'Connell Chapt 00-113  R&TC Sections 17039.1, 17053.30, 23036.1, 23630  PRC Sections 37002, 37006, 37013, and 37022	<p><i>2000 Natural Heritage Preservation Tax Credit Act</i></p> <p>Enacts the Natural Heritage Preservation Tax Credit Act of 2000 within the Public Resources Code and establishes a tax credit within the Revenue and Taxation Code (R&amp;TC).</p> <p>Allows a tax credit for real property donated to the state, to approved local governments, or to approved nonprofit organizations designated by the state or local government. The amount of tax credit equals 55% of the fair market value of a contribution approved for acceptance by the Wildlife Conservation Board.</p>
SB 1664 Karnette Chapt 00-60  R&TC Sections 20543, 20544 and 20563	<p><i>HRA/One-Time 150% Increase</i></p> <p>Provides a one-time increase of 150% in HRA payments for low-income seniors and disabled individuals for the 2000 calendar year.</p> <p>Moves the filing date of claims for assistance from May 15 through August 31 to July 1 through October 15. Extends the dates by which the state assists claimants from June 30 and before October 31 to July 15 and before November 15 of the calendar year in which a claim is filed.</p>
<b>FRANCHISE TAX BOARD SPONSORED LEGISLATIVE PROPOSALS</b>	
AB 463 Maldonado Chapt 00-183  R&TC Section 19104	<p><i>AB 713 Clean-Up/BOE Appeals/Deficiency Assessments &amp; Statute of Limitations</i></p> <p>This FTB sponsored act makes the following changes to the administrative protest and appeal procedures for interest abatement:</p> <ul style="list-style-type: none"> <li>Allows a taxpayer protesting a proposed deficiency to include a request for abatement of certain related interest in the protest;</li> </ul>

	<ul style="list-style-type: none"> <li>• If a taxpayer does not include a request for abatement of interest in the original protest and later appeals FTB's adverse action on the protest of the proposed deficiency, the taxpayer is required to include the request for abatement of interest in the appeal. The taxpayer is prohibited from making a separate request or appeal for abatement of interest;</li> <li>• In narrow circumstances the time to file an appeal to the Board of Equalization (BOE) is reduced from 180 days to the more standard 30 and 90 days depending upon whether a request for interest abatement is related to unpaid or paid interest. This reduction in the time to file an appeal applies only where a taxpayer does not protest or appeal FTB's adverse action on an underlying proposed deficiency and either— <ol style="list-style-type: none"> <li>1. Appeals only FTB's adverse action on a request to abate interest, or</li> <li>2. Requests an abatement of the interest that accrued between the time the deficiency was final and FTB issued its notice of tax due.</li> </ol> </li> <li>• If a taxpayer does not protest or appeal the underlying proposed deficiency and FTB does not respond to the taxpayer's request for abatement of certain interest within six months, the taxpayer may treat its request for abatement of interest as deemed denied. In that case, the taxpayer may file an appeal within the above time frames.</li> </ul>
AB 1843 Ackerman Chapt 00-862  R&TC Sections, Too Many To List.	<i>Eliminate Reference To "Income Year" In The Income Tax Law</i>  This FTB sponsored act replaces all references to "income year" with "taxable year" in the B&CTL, the Administration of the Franchise and Income Tax Laws (AFITL), and the PITL. Thus, the complex and unnecessary "income year" concept is eliminated.
AB 2892 AR&T Comm. Chapt 00-2892  R&TC Sections, Too Many To List	<i>Information Returns/Returns of Individuals And Fiduciaries/Interest On Unpaid Tax And Deficiencies</i>  This FTB sponsored act adds, amends, renumbers, and repeals various sections of the R&TC to conform more closely to the language and structure of the Internal Revenue Code (IRC). These changes consolidate provisions, delete obsolete provisions, and revise language for clarification pertaining to filing requirement thresholds, filing status, and assessment of interest.
AB 2893 AR&T Comm. Chapt 00-252  R&TC Sections, Too Many To List	<i>Partial Conformity of Exempt Law To Federal Law</i>  This FTB sponsored act eliminates California's "stand alone" R&TC sections relating to exempt organizations and conforms "by reference" to the IRC sections relating to exempt organizations. These changes are not substantive and will not change California law.

<p>AB 2895 AR&amp;T Comm. Chapt 00-864</p> <p>R&amp;TC Sections 17053.46, 17053.47, 23622.8 and 23646</p>	<p><i>Local Agency Military Base Recovery Area &amp; Manufacturing Enhancement Area Employer Hiring Credit Vouchering Requirement</i></p> <p>This FTB sponsored act amends the Local Agency Military Recovery Areas and the Manufacturing Enhancement Areas hiring credit statutes to be consistent with the existing Enterprise Zone and Targeted Tax Area statutes to require taxpayers to obtain a voucher for new employees as a condition for claiming those credits. (May be chaptered out by SB 1445 (Stats. 2000, Ch. 865))</p>
<p>AB 2896 AR&amp;T Comm. Chapt 00-414</p> <p>R&amp;TC Sections 19033 and 21007</p>	<p><i>Deficiency Assessments</i></p> <p>This FTB sponsored act allows the FTB to continue its current practice of using tax returns (either paper or electronic) or information electronically captured from tax returns to make deficiency determinations. If a tax return or electronically captured return information has been destroyed or cannot be located after reasonable effort by FTB, the taxpayer is notified and has at least 30 days to provide a paper or electronic copy of the tax return to FTB. Additionally, FTB is required to provide a statement in tax booklets informing taxpayers that they may be requested to furnish FTB with a copy of the California or federal tax returns that are the subject of or related to a federal audit.</p>
<p>AB 2897 AR&amp;T Comm. Chapt 00-415</p> <p>R&amp;TC Sections 19411 and 23188</p> <p>Corporations Code Section 6810</p>	<p><i>Amend Corporations Code To Reference Correct R&amp;TC Section/Interest On Erroneous Refunds/Delete Provision Added In Error/Technical Change To Correct Reference To "Subsection" To "Subdivision"</i></p> <p>Under the R&amp;TC and the California Corporations Code, this FTB sponsored act makes the following changes:</p> <ul style="list-style-type: none"> <li>• Corrects the reference to a renumbered section regarding the imposition of the \$50 penalty for any corporation which fails to file statement with the Secretary of State;</li> <li>• Clarifies that interest on erroneous refund amounts begin to accrue 30 days from the date of notice and demand for repayment and deletes a reference on how interest will accrue for corporations on amounts that were erroneously made or allowed when an action is brought to court; and</li> <li>• Replaces incorrect references to the term "subsection" with the term "subdivision."</li> </ul>
<p>SB 2173 SR&amp;T Comm. Chapt. 00-180</p> <p>Government Code Section 8880.68</p>	<p><i>Assignment of Lottery Winnings/Tax Exempt</i></p> <p>This FTB sponsored act clarifies that amounts received by a California lottery prizewinner from another person as a result of the assignment (transfer) by the prizewinner of the right to receive future lottery winning payments are exempt from state and local taxes.</p>

<b>CREDITS (not part of the budget trailer bills)</b>	
AB 1080 Villaraigosa Chapt 00-603  R&TC Section 17052.2	<p><i>Teacher Retention Credit/Calculation of Amount of Credit</i></p> <p>This act simplifies the method of determining tax imposed on a teacher's salary for purposes of the credit limitation contained in the credentialed teacher tax credit as enacted by AB 2879 (Stats. 2000, Ch. 75).</p>
AB 1626 Torlakson Chapt 00-03  R&TC Sections 17058 and 23610.5	<p><i>Low-Income Housing Credit/Increase Maximum Aggregate Amount To \$50,000,000 For Calendar Year 1999 And Each Calendar Year Thereafter</i></p> <p>Increases the aggregate allocation amount for the low-income housing credit to \$50 million for each calendar year after 1999.</p>
AB 1811 Reyes Chapt. 00-311  R&TC Sections 17053.14 and 23608.2	<p><i>Farmworker Housing Credit</i></p> <p>Under the PITL and the B&amp;CTL, this act makes changes to the farmworker housing credit for construction and rehabilitation of qualified farmworker housing.</p> <ul style="list-style-type: none"> <li>• Makes the credit subject to the allocation limitations under the federal low-income housing credit;</li> <li>• Allows the credit to be claimed when a building is placed in service (or sooner under certain conditions), rather than requiring the credit to be claimed when a building is occupied; and</li> <li>• Allows the taxpayer to request certification after paying or incurring costs, rather than requiring certification first.</li> </ul>
<b>CHILD SUPPORT</b>	
AB 1358 Shelley Chapt 00-808  R&TC Sections, Too Many To List	<p><i>Child Support Enforcement/Conforming Changes To Entities Authorized To Enforce Collection</i></p> <p>This act, in general, makes numerous changes of a technical nature to various California Codes relating to child support enforcement. The changes are necessary to accommodate California's new child support enforcement organizational structure enacted last year, effective on January 1, 2000. In general, as it affects the laws administered by FTB, this act replaces the references to "district attorney" (DA) with "local child support agency" (local agency) and "Department of Social Services" (DSS) with "Department of Child Support Services" (DCSS), the successor agency and successor department, respectively.</p> <p>Additionally, this act corrects certain provisions where the new organizational structure and related statutory references inadvertently eliminated the authority for DAs, local agencies or DCSS to conduct the intended child support enforcement activities within these organizational structures.</p>

<b>ENTERPRISE ZONES</b>	
SB 1445 Kelley Chapt 00-865  Government Code Section 7073.9, R&TC Sections 17053.47 and 23622.8	<p><i>Manufacturing Enhancement Area Employer Hiring Credit/Allow Expansion of Area &amp; Include Agricultural Production</i></p> <p>This act provides for the expansion of a manufacturing enhancement area (MEA) in Imperial County by no more than 200 acres upon approval by the TCA. In addition, this act expands the definition of "qualified taxpayer" in the MEA hiring credit to include taxpayers engaged in certain agricultural business activities as defined in the Standard Industrial Classification Manual, 1987 edition.</p>
<b>INTERNET</b>	
AB 1784 Lempert Chapt 00-618  R&TC Section 65004	<p><i>California Internet Tax Freedom Act/Extends Repeal Date To January 1, 2005</i></p> <p>This act extends the expiration date of the California Internet Tax Freedom Act to January 1, 2005. This act is tied to AB 2412 and would have become operative only if AB 2412 was enacted and become effective on or after January 1, 2001. Since the Governor vetoed AB 2412 on September 24, 2000, this act will not become operative. Thus, the California Internet Tax Freedom Act will become inoperative on January 1, 2002.</p>
<b>VOLUNTARY CONTRIBUTIONS</b>	
AB 2212 Frusetta Chapt 00-577  R&TC Sections 18701, 18702, 18703, and 18704	<p><i>National World War II Veterans Memorial</i></p> <p>This act allows individual taxpayers to designate a contribution on the state tax return to the newly created National World War II Veterans Memorial Trust Fund.</p>
SB 1932 Solis Chapt 00-818  R&TC Sections 18831, 18832, 18833, 18834, and 18835	<p><i>California Lung Disease And Asthma Research Fund</i></p> <p>This act allows taxpayers to designate a contribution on the state income tax return to the California Lung Disease and Asthma Research Fund.</p>
SB 2175 Burton Chapt 00-854  R&TC Sections 18804 and 18808	<p><i>California Firefighters' Memorial Fund &amp; Peace Officer Memorial Foundation Fund/Estimated Contributions</i></p> <p>This act specifies that the \$250,000 minimum contribution limitation applies to the California Peace Officer Memorial Fund and the California Firefighters' Memorial Fund only if the repeal date is deleted for each fund.</p>

<b>EXCLUSIONS</b>	
AB 809 Lowenthal Chapt 00-31  R&TC Section 17139.5	<p><i>Exclusion/Interest Received From Smog Impact Fee Refunds</i></p> <p>Excludes from gross income interest paid by the state in conjunction with the refund of the smog impact fee for taxpayers who were not allowed to deduct the vehicle smog impact fee.</p> <p>Under the Vehicle Code, this act establishes a procedure for refunding the smog impact fee.</p>
AB 1728 Villaraigosa Chapt 00-685  R&TC Section 17155.5	<p><i>Exclusions/Reparation Payments Received From German Foundation Known As Remembrance, Responsibility, And The Future</i></p> <p>This act excludes from an individual's gross income any amounts received as reparation payments paid by the German Foundation known as Remembrance, Responsibility, and the Future or from any other source for humanitarian reparations to redress the injustice done to persons who were required to perform slave or forced labor during World War II.</p>
AB 1799 Baugh Chapt 00-630  Penal Code Section 4904 and R&TC Section 17157	<p><i>Exclusion/Indemnification Received By Erroneously Convicted Persons</i></p> <p>This act amends the Penal Code to specify that the Board of Control is required to recommend to the Legislature that \$100 a day, rather than the current amount of up to \$10,000, be appropriated to indemnify an individual erroneously convicted and incarcerated for a crime.</p> <p>Under both the Penal Code and the R&amp;TC, this act provides that the appropriation is not to be treated as gross income to the recipient under the PITL.</p>
SB 1239 Burton Chapt 00-04  R&TC Section 23040.1	<p><i>Exemption/Alien Corporation Qualifying Investment Stock Or Security Income/ Doesn't Apply To Corporations In Unitary Business</i></p> <p>Provides that income, gain or loss from stocks or securities received by an alien corporation whose sole activity in this state is derived from trading stocks or securities for its own account will not be treated as income derived from California sources. Furthermore, the alien corporation will not be considered to be doing business in this state.</p>
<b>COURT-ORDERED DEBT</b>	
AB 2371 Lempert Chapt 00-545  R&TC Section 19280 and Section 4 of the Act.	<p><i>Court Ordered Debt Pilot/Reduces Fine For Referral To FTB To \$100</i></p> <p>This act lowers the dollar threshold from \$250 to \$100 for restitution fines that are referred to FTB by the Board of Control for the FTB court-ordered debt collection program. These referrals are limited based on the current (computer system) capacity of FTB and are implemented as a pilot project.</p>



<p>SB 1310 Vasconcellos Chapt 00-940</p> <p>Government Code Section 12419.2, Penal Code Section 817.5 and R&amp;TC Sections 19280, 19283 and 19550</p>	<p><i>Court Ordered Debt/FTB May Limit To 17 Counties/Address Disclosure To Law Enforcement</i></p> <p>This act:</p> <ul style="list-style-type: none"> <li>• Extends for one year, until January 1, 2003, the termination (sunset) of the court-ordered debt (COD) collection pilot program administered by FTB;</li> <li>• Requires FTB to report to the Legislature on or before April 1, 2001, the feasibility and advisability of expanding the COD collection program to accept referrals from all 58 counties;</li> <li>• Requires the Department of Justice (DOJ), in consultation with FTB and other specified state entities, to examine ways to enhance the use and effectiveness of the Controller's offset program, which is administered by FTB, through integration with the DOJ's Wanted Persons System, and requires that DOJ report to the Legislature on or before January 1, 2002;</li> <li>• Requires the DOJ, in consultation with FTB, to examine ways to enhance the use and effectiveness of FTB's COD collection program through integration with the DOJ's Wanted Persons System and report to the Legislature on or before January 1, 2002; and</li> <li>• Requires any state or local governmental agency, including FTB, to provide to the DOJ, to a court, or to a California law enforcement agency the address of any person represented to be a person for whom there is an outstanding arrest warrant.</li> </ul>
<b>MISCELLANEOUS</b>	
<p>AB 505 Wright Chapt 00-1059</p> <p>Government Code Sections 11342, 11344.1, 11346.2, 11346.4, 11346.5, 11346.8</p>	<p><i>Administrative Procedures/Small Business Regulatory Reform Act Of 2000/State Agencies Adopting Regulations</i></p> <p>Under the Administrative Procedures Act within the Government Code, this act makes various changes to the laws governing regulatory procedures, including requiring each state agency to establish a small business liaison.</p>
<p>AB 1016 Briggs Chapt 00-438</p> <p>R&amp;TC Section 21028</p>	<p><i>Confidentiality/Taxpayer Communications</i></p> <p>This act entitles a taxpayer to the same protections of confidentiality for communications with respect to the tax advice given by any federally authorized tax practitioner as the taxpayer has for communications if the advising individual were an attorney. The privilege applies in any noncriminal tax matter before FTB. The privilege sunsets January 1, 2005, unless subsequent legislation extends that date.</p> <p>This act also provides similar protections for communications between a taxpayer and a federally authorized tax practitioner in any noncriminal tax matter before the BOE or Employment Development Department (EDD).</p>

<p>AB 1822 Wayne Chapt 00-1060</p> <p>Financial Code Section 3373, Government Code Sections, Too Many To List, Health &amp; Safety Code Section 57004, Penal Code Section 5058, Public Resources Code Section 25620.2 and Welfare &amp; Institutions Code Section 11462.4</p>	<p><i>Administrative Procedure Act/State Agency Regulations</i></p> <p>Under the Administrative Procedure Act in the Government Code, this act makes various changes to the rulemaking process.</p>
<p>AB 2799 Shelley Chapt 00-982</p> <p>Government Code Sections 6253,6253.9 and 6255</p>	<p><i>Public Record Disclosure/Make Available In Electronic Format If Available &amp; When Requested</i></p> <p>This act requires any state or local agency that has public information in an electronic format to make that information available to the public in the electronic format in which the state agency holds the information. The requester pays the direct cost of duplicating the public record in an electronic format.</p> <p>This act further requires a public record to be disclosed if, on the facts of the particular case, the public interest is served by disclosing the record.</p>
<p>AB 2876 Aroner Chapt 00-108</p> <p>Unemployment Insurance Code Section 10529</p>	<p><i>Health And Welfare Programs/Child Support/EDD Coordinate With FTB And Other Agencies In Developing Economic And Workforce Information</i></p> <p>Establishes the California Workforce and Economic Information Program that will require EDD to coordinate with specified governmental agencies, including FTB, to develop economic and workforce information.</p>
<p>SB 129 Peace Chapt 00-984</p> <p>Government Code Section 11019.9</p>	<p><i>Privacy Protection Office/Personal Information Collection &amp; Disclosure</i></p> <p>This act requires each state department and state agency to enact and maintain a permanent privacy policy, in adherence with the Information Practices Act of 1977.</p>

<p>SB 1724 Dunn Chapt 00-1084</p> <p>B&amp;PC Sections 17530.5, 17530.6, 22251 and 22253, Civil Code Section 17991a, and R&amp;TC Section 18621.7</p>	<p><i>Prohibit Disclosure of Information By Tax Preparers &amp; Prohibit FTB To Approve Filing Requiring Consent To Disclose Specified Information</i></p> <p>This act prohibits FTB from approving electronic filing software or electronic tax forms that require taxpayers to consent to the disclosure of information as a condition of access to that software or to tax forms.</p> <p>In addition, under the Business and Professions Code (B&amp;PC) this act:</p> <ul style="list-style-type: none"> <li>• Expands criminal sanctions for disclosures of tax return information by businesses that prepare returns by adding disclosures made either within the tax-preparing firm (for purposes other than tax preparation) or to subsidiaries or affiliates of the tax-preparing firm;</li> <li>• Adds filing an income tax return electronically to the list of activities that defines persons engaged in the business of preparing tax returns or assisting in the preparation of tax returns;</li> <li>• Allows the written consent for disclosure to be done electronically with an electronic signature;</li> <li>• Modifies the definition of “tax preparers” to include persons who, for consideration other than a fee, prepare tax returns for another person;</li> <li>• Makes each violation of the criminal provisions regulating the practice of tax preparers a separate offense;</li> <li>• Specifies that tax return information includes information obtained through an electronic medium; and</li> <li>• Requires the disposal of tax return information in a manner that protects the identity of the taxpayers.</li> </ul> <p>Under the Civil Code, this act establishes a civil penalty for disclosure of tax return information provided by a consumer in connection with financial or business-related transactions. This consumer protection penalty is based on the taxpayer protection penalty under the B&amp;PC.</p> <p>The B&amp;PC and Civil Code provisions do not directly impact the programs administered by FTB.</p> <p>This act is tied to AB 2246 (Stats. 2000, Ch. 1039), which becomes operative January 1, 2001. Since AB 2246 was enacted, the provisions relating to destruction of tax information being added by this act to the B&amp;PC and the Civil Code do not become operative.</p>
---	---

<p>SB 1828 Speier Chapt 00-681</p> <p>B&amp;PC Sections 2242.1 and 4067</p>	<p><i>FTB Offset Refunds Or Lottery Winnings For Civil Penalties For Prescribing Dangerous Drugs On Internet</i></p> <p>This act requires FTB to subtract certain fines or civil penalties from tax refunds or lottery winnings due certain taxpayers/defendants. FTB makes such offsets upon notification by the Attorney General (AG), the Medical Board of California, or the Pharmacy Board of California of a final judgment for fines or civil penalties for specified violations relating to prescribing, dispensing, or furnishing dangerous drugs or devices via the Internet.</p>
<p>SB 1933 Vasconcellos Chapt 00-619</p> <p>R&amp;TC Sections 38061 to 38067</p>	<p><i>California Commission On Tax Policy In The New Economy/FTB Executive Officer, BOE, EDD, DOF And Controller Members On Commission</i></p> <p>This act establishes the California Commission on Tax Policy in the New Economy to develop a long-term strategy for revising the state and local tax structure in California.</p>
<p>SB 2015 Sher Chapt 00-475</p> <p>Government Code Sections 12586.1, 12586.2, 12591.1, 12591.2 and 12598</p>	<p><i>Charitable Fundraising</i></p> <p>This act creates several new provisions applicable to a charitable corporation or trustee, commercial fund-raiser, fundraising counsel, or coventurer (charitable organization). It establishes new fees and civil penalties to be applied in the case of specified violations of the Uniform Supervision of Trustees for Charitable Purposes Act (the Act).</p> <p>This act allows the AG to refuse to register a charitable organization or to revoke or suspend a charitable organization if that entity violates any provision of the Act.</p>
<p>SB 2170 SR&amp;T Comm. Chapt 00-647</p> <p>R&amp;TC Sections Too Many To List</p>	<p><i>Levy On Trade Or Business Property/Taxpayer Bill Of Right Tech/Min Tax Relief For Inactivity/Child Care Refundable Credit</i></p> <p>This act makes several technical amendments to laws administered by FTB. It does the following:</p> <ul style="list-style-type: none"> <li>• Clarifies that trade or business property may not be levied by FTB unless the levy is approved by FTB's assistant executive officer or FTB finds that collection of the tax is in jeopardy;</li> <li>• Corrects an error inadvertently created by SB 1229 (Stats. 1999, Ch. 987) and carries out the intent of SB 1229 by providing relief from the annual limited partnership tax for specified limited partnerships; and</li> <li>• Provides that adjustments made by FTB to the amount claimed by a taxpayer under the refundable child and dependent care credit law will be treated by FTB as a math error correction, but the taxpayer will be allowed the right to protest and appeal FTB's adjustment.</li> </ul>

**\*FAILED PASSAGE\***

<b>FRANCHISE TAX BOARD SPONSORED LEGISLATIVE PROPOSALS-FAILED PASSAGE</b>	
AB 190 Ackerman	<p><i>Revise Limited Liability Annual Franchise Tax Due Date To Be Same As Return Due Date</i></p> <p>This bill would have made the annual tax of a limited liability company (LLC) that is classified either as a partnership or as a disregarded entity due and payable on the due date of the LLC return.</p>
AB 1208 AR&T Committee	<p><i>Legislative Intent To Convene Conference Committee On Taxation</i></p> <p>This bill would have conformed the PITL and the B&amp;CTL, in general, to the IRC either by incorporating the IRC by reference as of a "specified date" or by stand alone language that mirrors the federal provision.</p> <p>Those provisions of California law that are conformed to the IRC currently reflect federal law as of January 1, 1998, unless a specific provision provides otherwise. This bill would have changed the specified date from January 1, 1998, to January 1, 1999, for taxable and income years beginning on or after January 1, 1999. Thus, California law would have conformed to numerous changes made to federal income tax law by the IRS Restructuring and Reform Act of 1998 (hereinafter "IRS Reform Act of 1998") and certain other federal acts enacted during 1998.</p> <p>This bill also contained two of the department's legislative proposals: "Repeal of Capital Loss Limitation and Carryover Provisions for Corporations" and "Taxation of Non and Part-Year Residents and the Alimony Deduction."</p>
AB 2741 Alquist	<p><i>Water's-Edge Election Procedures</i></p> <p>This bill would have fundamentally reformed the water's-edge election procedures. Water's-edge elections would no longer have been made by contract but by statutory election.</p>
AB 2763 Knox	<p><i>Conformity Act of 2000</i></p> <p>This bill would have conformed the PITL and the B&amp;CTL, in general, to the IRC either by incorporating the IRC by reference as of a "specified date" or by stand alone language which mirrors the federal provision.</p> <p>California law is conformed to the IRC as of January 1, 1998, unless a specific provision provides otherwise. This bill would have changed the specified date from January 1, 1998, to January 1, 2000, for taxable and income years beginning on or after January 1, 2000. Thus, California law would have conformed to numerous changes made to federal income tax law since 1998.</p> <p>This bill also would have conformed to two federal provisions enacted before 1998 to which California previously did not conform.</p> <p>This bill also contained two of the department's legislative proposals. One would have repealed the capital loss limitation and carryover provisions for corporations</p>

	and the other would have altered the calculation of the alimony deduction for both non-residents and part-year residents.
SB 2171 SR&T Committee	<p><i>Insurance Dividend Deduction/Remove Commercial Domicile Limitation On Dividend Receipts/Repeal of Water's-Edge Net Operating Loss Limitation</i></p> <p>This bill would have:</p> <ul style="list-style-type: none"> <li>• For corporations that are commercially domiciled outside of California, removed the prohibition on deducting dividends received from an insurance company subsidiary operating in California and subject to the gross premiums tax. All corporations would have been permitted to deduct dividends regardless of where commercially domiciled.</li> <li>• Provided relief from the annual limited partnership tax for specified limited partnerships.</li> <li>• Eliminated the water's-edge NOL limitation provision.</li> </ul>
SB 2176 Chesbro	<p><i>Insurance Interest Expense/Dividend Deduction/Remove Commercial Domicile Limitation On Dividend Receipts</i></p> <p>This bill would have:</p> <ul style="list-style-type: none"> <li>• Allowed corporations to deduct interest expense attributable to dividends received from an insurance company subsidiary that is deductible from income.</li> <li>• Specified that R&amp;TC Section 24425, which denies a deduction for expenses relating to the production of income that is not included in the measure of California tax, would not apply to expenses related to deductible dividends received from insurance companies.</li> <li>• Removed the commercial domicile restriction from R&amp;TC Section 24410, thereby permitting all corporations, regardless of commercial domicile, to deduct dividends received from an insurance company subsidiary.</li> <li>• Declared legislative intent that the changes made by the bill should not be construed to have any effect on the interpretation or application of R&amp;TC Sections 24344, 24410 and 24425 relating to dividends and dividend interest expense deductions, prior to the effective date of the bill.</li> </ul>
<b>OTHER BILLS-FAILED PASSAGE</b>	
AB 1392 Hertzberg	<p><i>Action To Determine Validity of Amount of Tax</i></p> <p>This bill would have allowed a taxpayer to bring an action, to determine whether an amount assessed by FTB is void, by posting a bond to guarantee payment of the amount due.</p>

<p>AB 1970 Leach</p>	<p><i>Increase Limited Liability Company Fee &amp; Repeal Fee Adjustment</i></p> <p>This bill would have repealed the existing state law requiring the FTB to conduct an annual study of the LLC Fee and subsequently adjust that fee upon certain findings.</p> <p>This bill would have revised the LLC Fee to be comparable to the fee amounts that were effective for the 1999 taxable year.</p>
<p>AB 2461 Runner</p>	<p><i>MIC/Change From 6% To 8%/Extend To Mineral Extraction &amp; Certain Electric Power Generator Activities/Delete Repeal Date To Extend Indefinitely</i></p> <p>This bill would have made the following changes to the Manufacturers' Investment Credit (MIC):</p> <ul style="list-style-type: none"> <li>• increased the credit from 6% to 8% of qualified costs,</li> <li>• extended the MIC to taxpayers engaged in extracting nonmetallic minerals,</li> <li>• extended the MIC to specified taxpayers engaged in electric services,</li> <li>• expanded the current definition of qualified activity to include extracting and generating of electricity,</li> <li>• expanded the definition of when manufacturing or other processes commence and conclude, and</li> <li>• deleted the repeal date.</li> </ul>
<p>AB 2596 Corbett</p>	<p><i>Manufacturers' Investment Credit/Extends To Electric Power Generation Using Natural Gas</i></p> <p>This bill would have modified the MIC to include taxpayers engaged in businesses relating to fossil fuel electric power generation. The business activities of these taxpayers are described in North American Industry Classification System Manual Code 221112.</p>
<p>SB 2125 Peace</p>	<p><i>Water's-Edge/FTB Follow IRS Profit Split Rules For Audit</i></p> <p>This bill would have required the use of the profit split method for California purposes if the profit split method was ever elected pursuant to Section 936 of the IRC for federal purposes. The bill provided that the FTB would be presumed to have followed federal rules, regulations, and procedures for transfer-pricing audits when corporations in a water's-edge group elect to use the profit split method. In addition, it would be presumed that the allocation of combined taxable income under the profit split method clearly reflects the income of the members of the water's-edge group and clearly reflects the income of the electing corporation.</p>

**\*CHAPTERED OUT LEGISLATION\***

<b>BUDGET TRAILER TAX LEGISLATION</b>	
AB 465 Nakano Chapt 00-103 <b>Chaptered Out</b>	<i>Research Expense Credit/Increase Alternative Incremental Credit</i>  This act would have increased the state alternative incremental research expense credit to 85% of the prior federal credit amount, instead of the existing 80%.  This act was chaptered out by AB 511.
AB 1774 Lempert Chapt 00-104 <b>Chaptered Out</b>	<i>NOL Deduction Carryovers/55% For Income Years On Or After 1/1/2000 &amp; Before 1/1/2002 &amp; 60% For Income Years On Or After 1/1/2002/Allowed For 10 Years</i>  This act would have incrementally increased the NOL deduction carryforward amount under both the PITL and the B&CTL.  This act was chaptered out by AB 511.
AB 2871 Correa Chapt 00-105 <b>Chaptered Out</b>  R&TC Section 17053.80	<i>Long-Term Care Caregiver Credit</i>  This act would have provided a \$500 non-refundable credit to eligible caregivers for each applicable individual in need of long-term care.  This act was chaptered out by AB 511.

**\*VETOED LEGISLATION\***

<b>CREDITS (not part of the budget trailer bills)</b>	
AB 1220 Romero <b>Vetoed</b>  R&TC Section 19141.7	<i>Taxpayers Provide FTB With Specified Information Regarding Various B&amp;CT Credits/FTB Publish Information Regarding Corporations Claiming Credit In An Annual Report</i>  Under the AFITL, this bill would have required corporate taxpayers that claim certain credits to provide the department with specified information regarding those credits. Such taxpayers would also have been required to report to the department the number of employees employed by the taxpayer on the first day of the year and the wages and health benefits provided to its employees.  The bill would have required the information to be provided in an annual report made available to the public.
AB 1903 Lowenthal <b>Vetoed</b>  R&TC Sections 17058 and 23610.5	<i>Low-Income Housing Credit/Partners' Distributive Share of Credit Shall Be Determined By Partnership Agreement</i>  Under the PITL and the B&CTL, this bill would have specified that a partner's distributive share of the state low-income housing tax credit be determined by the partnership agreement.



ENTERPRISE ZONES	
AB 356 Washington <b>Vetoed</b>  Government Code Section 7073.4	<i>Enterprise Zones/Authorizes Additional Designation of One City Within Los Angeles County</i>  Under the Government Code, this bill would have required the Trade and Commerce Agency (TCA) to designate one city within Los Angeles County that meets specified criteria as an additional enterprise zone.
INTERNET	
AB 1759 Papan <b>Vetoed</b>  Government Code Section 6253.1	<i>Public Records/State Agency Reports And Studies Available On The Internet</i>  This bill would have amended the Public Records Act to require any state agency that maintains an Internet site or causes an Internet site to be maintained to list on that site all reports and studies initiated and prepared by that agency that are otherwise subject to disclosure.
MISCELLANEOUS	
AB 1463 Cedillo <b>Vetoed</b>  Vehicle Code Section 12801	<i>Driver's Licenses &amp; I.D. Cards/Include SSA Number, Taxpayer I.D. Number Or Other Appropriate Identifier</i>  This bill would have amended the Vehicle Code to provide that if an applicant for a driver's license or identification card does not possess a social security number (SSN), the Department of Motor Vehicle (DMV) will require a taxpayer identification number or other identifier determined to be appropriate. This bill would have prohibited DMV from disclosing a SSN, except as permitted by federal or state law. State law would still permit FTB to use DMV information to identify taxpayers and debtors for tax and non-tax programs.
SB 1710 Hayden <b>Vetoed</b>  Chapter 13 to Part 6.7 of Division 3 of Title 2, Government Code Section 15399.70	<i>2000 Public Subsidies, Public Benefits Act/Taxpayers Report To FTB Business Tax Expenditure Information &amp; FTB Report To LAO</i>  This bill would have created the 2000 Public Subsidies, Public Benefits Act. It would have required certain legislative entities to review the economic and employment impact of state business tax expenditures and all other public subsidies. Further, it would have required taxpayers to provide FTB specific information regarding their "business tax expenditures."

<p>SB 1822 Bowen <b>Vetoed</b></p> <p>Labor Code Section 1198.6</p>	<p><i>Administrative Procedure Act/State Agency Regulations</i></p> <p>This bill would have prohibited an employer from secretly monitoring the electronic mail or other computer records generated by an employee.</p> <p>This bill would have required that an employer that intends to inspect, review, or retain any electronic mail or any other computer records notify its employees of its electronic monitoring policies and practices. Also, it would have required employees to sign a statement or electronically acknowledge that the employee has received, read, and understood the employer's electronic monitoring policies and practices.</p>
<p>SB 2027 Sher Vetoed</p> <p>Government Code Sections 6253.3, 6255, 6257, 6259 and 6259.1</p>	<p><i>Public Record Disclosure/Written Requests To State Agencies/Courts May Impose Fine If Agency Acted In Bad Faith</i></p> <p>This bill would have amended the California Public Records Act to require that state agencies justify the withholding of any record by:</p> <ul style="list-style-type: none"> <li>• requiring written determinations that a record is exempt from disclosure or the public interest is served by not making the record public,</li> <li>• establishing a procedure to allow any person to appeal to the AG if a state or local agency denies access to a public record or subverts the intent of the bill by actions short of denial of inspection, and</li> <li>• providing that the court may award a plaintiff an amount not less than \$100 for each day, up to a maximum of \$10,000, that the agency denied the right of the plaintiff to inspect the record.</li> </ul>